IN THE SPECIFICATION:

Please amend the paragraph starting at page 10, line 24 and ending at page 11, line 2, as follows:

--When the forward-direction predictive mode is used, the operation circuit 12 applies subtraction <u>processing</u> to the macroblock data 02 with the use of forward-direction predictive picture data 017 sent from a motion compensation section 22.--

Please amend the paragraph starting at page 12, line 10 and ending at line 14, as follows:

--When the backward-direction predictive mode is used, the operation circuit 12 applies subtraction <u>processing</u> to the macroblock data 02 by the use of backward-direction predictive picture data 016 sent from the motion compensation section 22.--

Please amend the paragraph starting at page 14, line 11 and ending at line 16, as follows:

--<u>Referring again</u> <s>Back</s> to Fig. 1, since the MPEG-2 encoder 101 performs variable-length encoding in its last stage, output data is in a burst form (not continuous). ESs generated by the MPEG-2 encoder 101 are sequentially written into the data buffer 102, stored in the data buffer 102 for more than a predetermined period, and read.--

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Please amend the paragraph starting at page 14, line 22 and ending at page 15, line 2, as follows:

--To avoid an overflow and an underflow in the data buffer 102, the information-amount controller 110 monitors a data occupation rate in the data buffer 102, generates a quantization control value D21 for the MPEG-2 encoder 101 according to the data occupation rate, and sends it to the quantization section 14 of the MPEG 2 encoder 101.--

Please amend the paragraph starting at page 15, line 15 and ending at line 22, as follows:

--The outputs of the header detector 103 and the count detecting circuit 108 are input to the OR circuit 109, "OR" processed is ORed, and is output as the PES-start signal A. This PES-start signal A is used as a reset signal for the counter 104. The PES-start signal A is also sent to the data buffer 102 together with ES data sent from the MPEG-2 encoder 101, and used as a partition signal (PES-start signal B) for attaching a PES header.--

Please amend the paragraph starting at page 16, line 13 and ending at line 17, as follows:

--The PES-header attaching section 107 generates a PES header using by the use of the data length sent from the memory 105, and attaches the header to the data sent from

A6 the data buffer 102. <u>By</u> <s>With</s> this operation, a PES is generated from the ES data and is sent to the TS generator 111.--

Please amend the paragraph starting at page 17, line 7 and ending at line 12, as follows:

A7 --The TS generator III divides one PES by the number of data items which can be stored in a TS packet, 182 bytes, and stores <u>the data</u> in a plurality of TS packets. If a PES does not reach 182 bytes in the last TS packet, stuffing bytes are inserted before the PES data (more precisely, immediately after a TS header) to fill the last TS packet.--

Please amend the paragraph starting at page 17, line 13 and ending at line 19, as follows:

A8 --The amount of required stuffing bytes is determined by PES_packet_length of the PES header. In the present embodiment, as described above, because 0x0000 is not used in PES_packet_length, which means a data length is not clear, the data length of the PES packet <u>may</u> <s>is</s> always <u>be</u> determined. Therefore, the amount of required stuffing bytes <u>always</u> can be <s>always</s> determined from PES_packet_length.--

Please amend the paragraph starting at page 19, line 6 and ending at line 20, as follows:

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--As shown in Fig. 4, a header is provided at the top of a TS, and a payload (information) follows. The header is formed of synchronization bytes, a transport error indicator indicating whether an error occurs in the packet, a payload-unit start indicator indicating the start of a payload unit, a transport packet priority indicating the degree of the importance of the packet, packet identification information (PID) indicating the attribute of an individual stream in the packet, a transport scramble control indicating the use and the type of scramble for a payload, an adaptation-field control indicating the use of an adaptation field, a continuity counter for determining whether the packet is discarded at the middle, and an adaptation field in which additional information related to the individual stream and stuffing bytes can be placed.--

Please amend the paragraph starting at page 21, line 8 and ending at line 14, as follows:

--Therefore, it is possible that such a storage medium may be is used in a system or in an apparatus other than those shown in Fig. 1, and the system or the apparatus reads the program codes stored in the storage medium and executes them to perform the same functions as in the above embodiments and to obtain the same advantages. The object of the present invention is thus achieved.--

Please amend the paragraph starting at page 22, line 5 and ending at line 9, as follows:

--The scope of the invention is, therefore, to be determined solely by the following claims and not limited by the text of the specifications and <u>alternatives</u> ~~alterations~~ made within a scope equivalent to the scope of the claims fall within the true spirit and scope of the invention.--

A/O